The Central Bank Watch
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A snapshot of UOB's projections and views on key central banks rate decisions and policy outlook for the month.

	Current Rate	Meeting	UOB's Projection & View	
BI	6.00%	15 Jan	-	Given the likely changes and associated uncertainty on the Fed's rate path in 2025 coupled with a likely prolonged period of USD strength, we revise our view for BI to be on an extended pause in 1H25 before resuming its rate cutting cycle with possibly 2x25bps cuts in each quarter in 2H25. We now only expect a cumulative 50bps rate cut for the BI rate to reach 5.50% by the end of next year.
BOK	3.00%	16 Jan	25 bps cut	The political crisis increases risk of a deeper interest rate cut to support growth even as financial stability remains an important consideration. The KRW is the worst performing currency in Asia in 2024 with a loss of around 12.5% against the USD. For now, we keep our forecast of 25 bps rate cut per quarter in 1Q25 and 2Q25 to bring the benchmark rate to its terminal level at 2.50%. The next cut is likely to be delivered as early as Jan.
PBOC	3.10%	20 Jan	-	China's Politburo announced in early Dec a shift in the monetary policy stance to "moderately loose" from "prudent". This implies that the PBOC will continue to cut both the benchmark interest rates and banks' reserve requirement ratio (RRR) in the coming year to cushion the economy. As such, we expect an additional 50-100 bps reduction to the RRR and 30 bps cut to the benchmark 7-day reverse repo rate (with loan prime rates to fall by 30 bps) in 2025. Of the interest rate cut, we anticipate 20 bps to be delivered in 1Q25.

BNM	3.00%	22 Jan	-	We maintain the view that BNM will continue to leave the OPR unchanged at 3.00% through 2025 as the central bank waits for clarity about domestic price policy changes and Trump's foreign policy implementation after his inauguration on 20 Jan 2025. These developments will play a crucial role in the near-term inflation and economic growth prospects that guide the monetary policy settings.
BOJ	0.25%	24 Jan	-	Based on the latest Dec MPM statement and Ueda's comments during the press conference, while we still believe that the BOJ is not done with rate hikes, but the timing is now expected to be heavily influenced by next year's wage growth developments and clarity about Trump's policies. That means a Jan BOJ rate hike (while not entirely ruled out) is now seen as a low probability event. For now, we expect BOJ to hike its policy rate by 25-bps to 0.5% in the Mar 2025 MPM, which we believe will be the terminal rate. However, there is a sizeable risk that the hike could be delayed till Apr or even later.
Fed	4.25% to 4.50%	30 Jan	-	We expect a pause in the Jan FOMC as the Fed exits the "re-calibration phase" and takes stock of the inflation and growth outlook under the new Trump administration. That said, we continue to hold the view the Fed will reduce the FFTR into 2025. We had earlier revised our 2025 rate cut trajectory lower to a total 75 bps of cuts (i.e. three 25-bps cuts, one in each quarter of 1Q, 2Q and 3Q 2025) from 100 bps previously, and end the rate cycle to bring the terminal rate to 3.75% (upper bound of FFTR). The reduced number of cuts reflect the higher inflation pressures from the projected tariff implementation during the latter part of 2025. We have highlighted that the risk in 2025 is for less cuts due to the uncertainty of tariffs. However. we think it remains premature to shift our projections for now, so we will hold on to the current three-cut view for 2025 until we get better clarity of President Trump's policies in early 2025.
ECB	3.15%	30 Jan	25bps cut	Alongside weakening growth prospects stemming from Trump's presidency regarding upcoming tariffs; and with inflation expected to slow slightly more quickly than expected a few months ago; it is looking likely that ECB policymakers will reach our terminal rate forecast sooner. As such, we now pencil in another 25bps move at each of the next four ECB meetings (Jan, Mar, Apr, and Jun) for the deposit rate to reach 2.00% by end of 2Q25.

MAS	-	TBA	slight reduction (by 50bps) to the S$NEER slope	Our base case calls for a “slight” reduction to the S$NEER slope (by 50bps) in the upcoming Jan 2025 MPS. However, in view of uncertainty of policy measures in the US, we will not be surprised if MAS decides to keep the S$NEER parameters unchanged and prefers to allow markets to “steer” the S$NEER lower within the existing band parameters (with occasional stealth intervention when necessary), tantamount to a de facto easing of monetary conditions. See Singapore: Jan 2025 MPS Preview - Tariff risks under Trump 2.0

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